Senate

General Assembly

File No. 88

February Session, 2004

Substitute Senate Bill No. 379

Senate, March 16, 2004

The Committee on Energy and Technology reported through SEN. PETERS of the 20th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING NATURAL GAS CONSERVATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 16-32f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2004*):

(a) On or before October first of each even-numbered year, a gas company [, as defined in section 16-1,] shall furnish a report to the Department of Public Utility Control containing a five-year forecast of loads and resources. The report shall describe the facilities and supply sources that, in the judgment of such gas company, will be required to meet gas demands during the forecast period. The report shall be made available to the public and shall be furnished to the chief executive officer of each municipality in the service area of such gas company, the regional planning agency which encompasses each such municipality, the Attorney General, the president pro tempore of the Senate, the speaker of the House of Representatives, the joint standing committee of the General Assembly having cognizance of matters relating to public utilities, any other member of the General Assembly making a request to the department for the report and such other state and municipal entities as the department may designate by regulation. The report shall include: (1) A tabulation of estimated peak loads and resources for each year; (2) data on gas use and peak loads for the five preceding calendar years; (3) a list of present and projected gas supply sources; (4) specific measures to control load growth and promote conservation; and (5) such other information as the department may require by regulation. A full description of the methodology used to arrive at the forecast of loads and resources shall also be furnished to the department. The department shall hold a public hearing on such reports upon the request of any person. On or before August first of each odd-numbered year, the department may request a gas company to furnish to the department an updated report. A gas company shall furnish any such updated report not later than sixty days following the request of the department.

(b) [A] Not later than July 1, 2006, and annually thereafter, a gas company [, as defined in section 16-1,] shall submit to the Department of Public Utility Control a gas conservation plan [along with the company's five-year forecast, as defined in subsection (a) of this section. The plan shall include: (1) Specific quantifiable conservation and load management targets; (2) conservation option descriptions, analyses and the methodology used to evaluate conservation options reviewed by such company; and (3) an estimation of conservation option costs and benefits, sufficiently detailed to allow the department to evaluate revenue requirements and other social and environmental costs and benefits, or such other components as the department may by order direct. All supply and conservation and load management options shall be evaluated and selected within an integrated supply and demand planning framework] in accordance with the provisions of this section. Such plan shall provide for the annual expenditure for the implementation of the programs in the plan which expenditure shall be an amount equivalent to two per cent of the company's annual revenue requirement. The department shall hold a public hearing on such plans. [in conjunction with the public hearing held pursuant to subsection (a) of this section. On or before August first of each odd-numbered year, the department may request a gas company to submit an updated plan to the department. A gas company shall furnish any such updated plan not later than sixty days following the request of the department.**]**

(c) (1) The Energy Conservation Management Board, established pursuant to section 16-245m, as amended by this act, shall advise and assist the gas companies in the development and implementation of a comprehensive plan, which plan shall be approved by the Department of Public Utility Control, to implement cost-effective energy conservation programs and market transformation initiatives. Each program contained in the plan shall be reviewed by the gas company and either accepted or rejected by the Energy Conservation Management Board prior to submission to the department for approval.

(2) Programs included in the plan shall be evaluated as to cost-effectiveness by comparing the value and payback period of the program benefits to the program costs to ensure that the programs are designed to obtain gas savings the value of which is greater than the costs of the program. Program cost-effectiveness shall be reviewed annually by the department, or otherwise as is practicable. If a program is determined by the department to fail the cost-effectiveness test as part of the review process, it shall either be modified to meet the test or shall be terminated. On or before January 31, 2008, and annually thereafter until January 31, 2013, the board shall provide a report to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment that documents expenditures, fund balances and evaluates the cost-effectiveness of such programs conducted in the preceding year.

(3) Programs included in the plan may include, but not be limited to: (A) The setting of specific quantifiable conservation and load management targets; (B) conservation option descriptions, analyses and the methodology used to evaluate conservation options reviewed

by the company; (C) research, development and commercialization of products or processes that are more energy-efficient than those generally available for installation at customer premises; (D) development of markets for such products and processes; (E) support for energy use assessment, engineering studies and services related to new construction or major building renovations; (F) the design, manufacture, commercialization and purchase of energy-efficient appliances and heating devices; (G) program planning and evaluation; (H) joint fuel conservation initiatives and programs targeted at electric and natural gas efficiency at customer premises; and (I) public education regarding the conservation programs. Such support may be by direct funding, manufacturers' rebates, sale price and loan subsidies, leases and promotional and educational activities. Any other expenditure by the Energy Conservation Management Board shall be limited to retention of expert consultants and reasonable administrative costs, provided such consultants shall not be employed by, or have any contractual relationship with, a gas company. Such costs shall not exceed five per cent of the total cost of the plans.

Sec. 2. Subsection (c) of section 16-245m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2004*):

(c) The Department of Public Utility Control shall appoint and convene an Energy Conservation Management Board which shall include representatives of: (1) An environmental group knowledgeable in energy conservation program collaboratives; (2) the Office of Consumer Counsel; (3) the Attorney General; (4) the Department of Environmental Protection; (5) the electric distribution companies in whose territories the activities take place for such programs; (6) a state-wide manufacturing association; (7) the gas companies in whose territories the activities take place for any programs developed pursuant to section 16-32f, as amended; (8) a chamber of commerce; [(8)] (9) a state-wide business association; [(9)] (10) a state-wide retail organization; and [(10)] (11) residential customers. Such members shall serve for a period of five years and may be reappointed.

Representatives of the gas companies shall abstain from voting on matters unrelated to gas conservation and representatives of the electric distribution companies shall abstain from voting on matters unrelated to conservation of electricity. When voting on programs that address both electrical and gas end-use consumption, representatives of the electric distribution companies shall have one combined vote and representatives of the natural gas companies shall have one combined vote.

Sec. 3. (*Effective July 1, 2004*) The Connecticut Energy Advisory Board shall conduct an assessment of different methods of structuring a comprehensive program for conservation and efficiency improvements in buildings heated by fuel oil equipment and shall report its findings and recommendations, in accordance with section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to energy not later than January 1, 2006. The assessment shall include, but not be limited to, a review of (1) the types of conservation activities to be conducted, (2) funding sources for the program, and (3) the appropriate management structure of the program.

This act shall take effect as follows:	
Section 1	*October 1, 2004*
Sec. 2	*October 1, 2004*
Sec. 3	*July 1, 2004*

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 $	FY 06 $
Public Utility Control, Dept.	CC&PUCF - None	None	None

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund

Municipal Impact: None

Explanation

The bill requires representatives of gas companies to be appointed by the Department of Public Utility Control (DPUC) to be participants in the Energy Conservation Management Board (ECMB). The board is then responsible for advising and assisting gas companies in developing comprehensive programs to conserve gas. This has no fiscal impact.

The bill also delays when gas companies are required to develop and implement gas conservation programs funded at 2% of the company's annual revenue. Currently, there are three gas companies in the state, Connecticut Natural Gas Corporation, the Southern Connecticut Gas Company, and Yankee Gas. Each company has a revenue requirement of approximately $300 million. The bill requires them to allocate $18 million, collectively, of their revenue requirement. The revenue requirement is the amount of money that DPUC determines is sufficient for a utility to serve its customers.

Assuming that the Department of Public Utility Control does not increase the revenue requirement for the gas companies, to offset the costs of the energy conservation program, gas rates will not increase. Therefore, there will be no fiscal impact on state or municipal government.

OLR Bill Analysis

sSB 379

AN ACT CONCERNING NATURAL GAS CONSERVATION

SUMMARY:
This bill delays and modifies requirements that natural gas companies develop conservation plans. It requires the companies, starting in 2006, to develop and implement conservation programs funded by 2% of the company's annual revenue.

The bill expands the Energy Conservation Management Board (ECMB) by requiring the Department of Public Utility Control (DPUC) to appoint representatives of the gas companies to the board. It requires these representatives to abstain from votes unrelated to gas conservation and the representatives from the electric companies currently on the board to abstain from votes on matters unrelated to electricity conservation. When voting on matters affecting both gas and electricity, each industry gets one vote.

The bill requires the Connecticut Energy Advisory Board (CEAB) to assess different ways of structuring a comprehensive program for conservation and efficiency improvements for buildings heated by fuel oil equipment. The assessment must at least cover (1) the types of conservation programs to be conducted, (2) funding sources for the program, and (3) the appropriate management structure for the program. CEAB must report its findings and recommendations to the Energy and Technology Committee by January 1, 2006.

EFFECTIVE DATE: July 1, 2004 for the CEAB assessment and October 1, 2004, for the remaining provision.

NATURAL GAS CONSERVATION PLANS AND PROGRAMS

Plan Development

Under current law, each gas company must submit a gas conservation plan to DPUC by October 1 of each even-numbered year, in conjunction with the five-year forecast it must submit at the same time. DPUC must hold a hearing on the plan and the forecast and may ask the company to file an updated plan in odd-numbered years.

The bill instead requires each company to file its conservation plan annually by July 1, starting in 2006. It thus eliminates the requirement for a filing a plan in 2004. It requires that the new plan provide for the company to spend 2% of its annual revenue requirements on conservation programs. (The a "revenue requirement" is the amount of money DPUC estimates that the company will need to serve its customers.)

The bill requires ECMB to advise and assist the companies in developing and implementing plans for cost-effective energy conservation programs and market transformation initiatives (e.g., initiatives in which manufacturers and energy efficiency advocates work together to increase the efficiency of product lines across an industry.).

Plan Components

Under current law, the company's plans must include (1) specific quantifiable conservation and load management targets and (2) a description of conservation options, analyses of the options, and the methods used to evaluate the options. The bill allows, but does not require, that programs include these elements. It also allows the programs to include:

1. research, development, and commercialization of consumer products or processes that are more energy-efficient than generally available;

2. development of markets for such products and processes;

3. support of energy use assessment and engineering studies and services regarding new construction or major building renovations;

4. the design, manufacture, commercialization, and purchase of energy-efficient appliances and heating devices;

5. program planning and evaluation;

6. conservation initiatives and programs targeted at saving both electricity and natural gas and improving energy efficiency at customers' premises; and

7. public education programs.

The support for these programs can take the form of direct funding, manufacturers' rebates, sales price and loan subsidies, leases, or promotional and educational activities. Other ECMB expenditures are limited to the retention of consultants and reasonable administrative costs, the latter capped at 5% of the program's total cost. The consultants cannot be employed by or be under contract to a gas company.

DPUC Approval of the Plan

The bill eliminates a requirements that:

1. the plan estimate the costs and benefits of the options in enough detail to allow DPUC to evaluate the company's revenue requirements and other social and environmental costs and benefits of the plan and other factors as DPUC directs, and

2. the options be evaluated and selected in an integrated supply and demand framework.

Instead, it similarly requires that the programs in the plan be evaluated on their cost-effectiveness. The value and payback period of the program's benefits must be compared to program costs to ensure the programs are designed so the value of the gas saved is greater than the programs' costs. DPUC must review program cost-effectiveness annually, or otherwise as practicable. If DPUC determines that a program is not cost-effective, it must be modified or ended.

Under the bill, each program in the plan must reviewed by the company, accepted or rejected by ECMB, and submitted to DPUC for final approval. The bill eliminates a requirement that DPUC hold a hearing on the plan. It requires ECMB to report by January 31 annually from 2008 through 2013 to the Energy and Technology and Environment committees on program expenditures, fund balances, and cost-effectiveness for the preceding year.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute
Yea 14 Nay 2